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LITIGATION

Fair use: market harm is not merely academic

By Andrew J. Thomas

The publishing industry in May received a harsh lesson in the unpredictability of copyright law's fair use doctrine in an academic setting, as well as a timely reminder that the fair use inquiry into potential market harm continues to be the most important part of the analysis in many circumstances.

Content Matters

This is a monthly column devoted to matters of interest to those who create content of all kinds (entertainment, news, software, advertising, etc.) and bring that content to market. Our hope is to shed light on key issues facing the creative content community. If you have questions, comments or topic ideas, let us know at ContentMatters@jenner.com. Because content matters.

In *Cambridge University Press v. Becker*, the U.S. District Court for the Northern District of Georgia held that a university's offering of digital excerpts from scholarly works to students constituted a fair use to the extent that copyright owners had not made digital excerpt licensing readily available.

Since 2004, Georgia State University has allowed professors to choose excerpts from academic texts and have the school library upload those selections to an "electronic reserves" system, where students can access them for free. A substantial portion of the excerpts at issue in the case consisted of entire chapters from textbooks — often from edited books where each chapter was written by a separate author as a standalone work.

In 2008, a group of academic publishers (including Oxford University Press and Cambridge University Press), with financial backing from the Association of American Publishers and the Copyright Clearance Center, sued GSU officials, claiming that the electronic reserve system illegally substituted for legitimate copies — i.e., the purchase of textbooks or the inclusion of authorized excerpts in course packets under licenses from the Copyright Clearance Center — and thus served as a vehicle for massive infringement.

(Suing the officials for prospective relief, rather than the school itself for damages, was necessary because GSU, as a state-run institution, was immune from suit under the 11th Amendment. The district court found that the individual officials could be subject to declaratory and injunctive relief under *Ex Parte Young* for continuing violations of federal copyright law.)

The lawsuit alleged that GSU's electronic reserve system substituted for student purchases of copyrighted books and of paper "course packs" or "copy packs" — collections of course-related readings assigned by professors. Consequently, the publishers alleged, GSU students could obtain "digital compilations containing many of the required readings for a given course without setting foot in a bookstore or expending a single cent on the copyrighted materials that lie at the heart of the educational experience."

Under a pair of decisions from the 1990s — *Basic Books v. Kinko's Graphics* (SDNY 1991) and *Princeton Univ. Press v. Michigan Document Services* (6th Cir. 1996) — bookstores and copy shops that sell course packs to students are not protected by the fair use defense and must pay license fees for the excerpts they copy, typically to the Copyright Clearance Center.

In a 350-page opinion, issued more than a year after a three-week bench trial — itself an object lesson to publishers about the costs of litigating fair use — Judge Orinda Evans for the most part vindicated GSU's fair use arguments. The decision consisted of 74 mini-opinions, each addressed to a different copyrighted work. The court found no infringement in all but five instances of copying at issue. (Sixteen of the claims failed because plaintiffs could not prove copyright ownership of the chapters at issue; 10 claims failed because the copying was de minimis; and 43 claims failed because the copying was fair use.)

By way of background, the fair use defense, codified at 17 U.S.C. Section 107, provides that "the fair use of a copyrighted work, including ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright."

The statute directs courts to consider four factors in determining whether the use made of any particular work is fair: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work [including whether it is primarily factual or creative]; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work."

Much of the Georgia court's fair use analysis is questionable and likely to be controversial. (Because the court has not yet entered any declaratory judgment or injunction, no appeal has been filed.)

For example, the court held that the first factor weighed "heavily" in favor of fair use in every instance simply because the copying was done for students in a class at a nonprofit university for "purely nonprofit, educational purposes." After the Supreme Court's 1994 decision in *Campbell v. Acuff-Rose Music*, Inc., courts usually focus on whether the use of the copyrighted work was "transformative" — i.e., that the use added something new or different, with a new purpose or meaning. While GSU's straight copying plainly was not transformative, Judge Evans found this fact to be irrelevant in the academic context, in effect guaranteeing an automatic victory on the first factor to any public university.

In applying the third fair use factor, Judge Evans invented a "10 percent" rule of thumb and proceeded to apply it in a manner that again gave GSU essentially a free pass to usurp the academic publishers' target market. She held that if a book contained fewer than 10 chapters, it was permissible to copy up to 10 percent of the entire work (a calculation that, oddly, included indices and tables of contents), but that if the book contained more than 10 chapters, it was permissible to copy up to one full chapter. The court rejected the publishers' contention that most of the chapters in question were standalone works by different authors, so that each chapter effectively constituted an "entire" work, observing that

such an analysis would "choke out" fair use of whole chapters by colleges.

Perversely, the judge then relied on the standalone nature of the individual chapters in considering another aspect of the third fair use factor. In addition to a quantitative analysis of the taking, courts applying the third factor also look to a qualitative element — whether the defendant has copied the "heart of the work." Here, the court found that because the chapters tended to be separate works on different subtopics, they did not "develop sequentially, leading toward a conclusion." Therefore, a collection of disparate chapters contained no "heart" and the qualitative analysis also favored GSU.

The court's analysis of the fourth fair use factor — market harm — is perhaps the most instructive for publishers generally. The Supreme Court at one point described market harm as "undoubtedly the single most important" fair use factor. Harper & Row, *Publishers v. Nation Enterprises*, 471 U.S. 539, 566 (1985). And the 9th Circuit repeatedly has emphasized the importance of this factor, including in a series of decisions involving the republishing of newspaper articles, television news footage, and other factual information. E.g., *Los Angeles News Service v. CBS Broadcasting* (2002); *Los Angeles News Service v. KCAL-TV Channel 9* (1997); and *Los Angeles Times v. Free Republic* (C.D. Cal. 2000).

In determining the effect on the market, one factor that courts often consider is whether a license for the copyrighted material could have been obtained by the defendant through legitimate channels — that is, as the 2nd Circuit explained in *American Geophysical Union v. Texaco* (1994), whether the defendant's use threatens to injure a "traditional, reasonable or likely to be developed" licensing market.

In her decision in *Becker*, Judge Evans flatly rejected the argument that copying individual chapters harmed the market for sales of whole books. Instead, she focused on the availability of licenses, but required that the existing license market offer close substitutes for the challenged uses by GSU. Thus, she rejected the publishers' arguments that the existence of a licensing market for photocopied course packets was relevant to the market harm inquiry. Instead, she held that only digital excerpt licenses were relevant, because "[e]ducational users today want digital materials." In the five instances where fair use was rejected, the court concluded that licenses for the works in question were "readily available," "reasonably priced" and offered in a digital format that was "convenient" for users.

This result both underscores the importance of a close correlation between the defendant's conduct and the licensing market that is alleged to be harmed, and also indicates that even in the academic context, uses of copyrighted material that directly intrude on existing, legitimate, and easily accessed licensing markets are likely to be found unfair.

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